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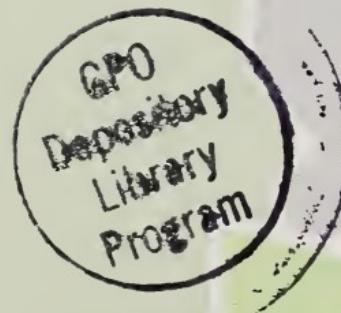
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GUARANTEED RURAL HOUSING LOANS

U.S. Department of Agriculture
Farmers Home Administration



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More rural families and individuals may be eligible to become homeowners with the help of a U.S. Department of Agriculture (USDA)/Farmers Home Administration (FmHA) guaranteed loan. Sometimes good credit and a steady income are not enough to qualify at a commercial lending institution, like a bank or savings and loan. A sizeable downpayment may also be required. But when the Federal Government agrees to guarantee a loan, lending institutions can help buyers while incurring little risk. Through the Guaranteed Rural Housing Loan Program, moderate-income people can qualify for mortgages even without a downpayment.

Guaranteed Rural Housing Loans

Eligible Persons:

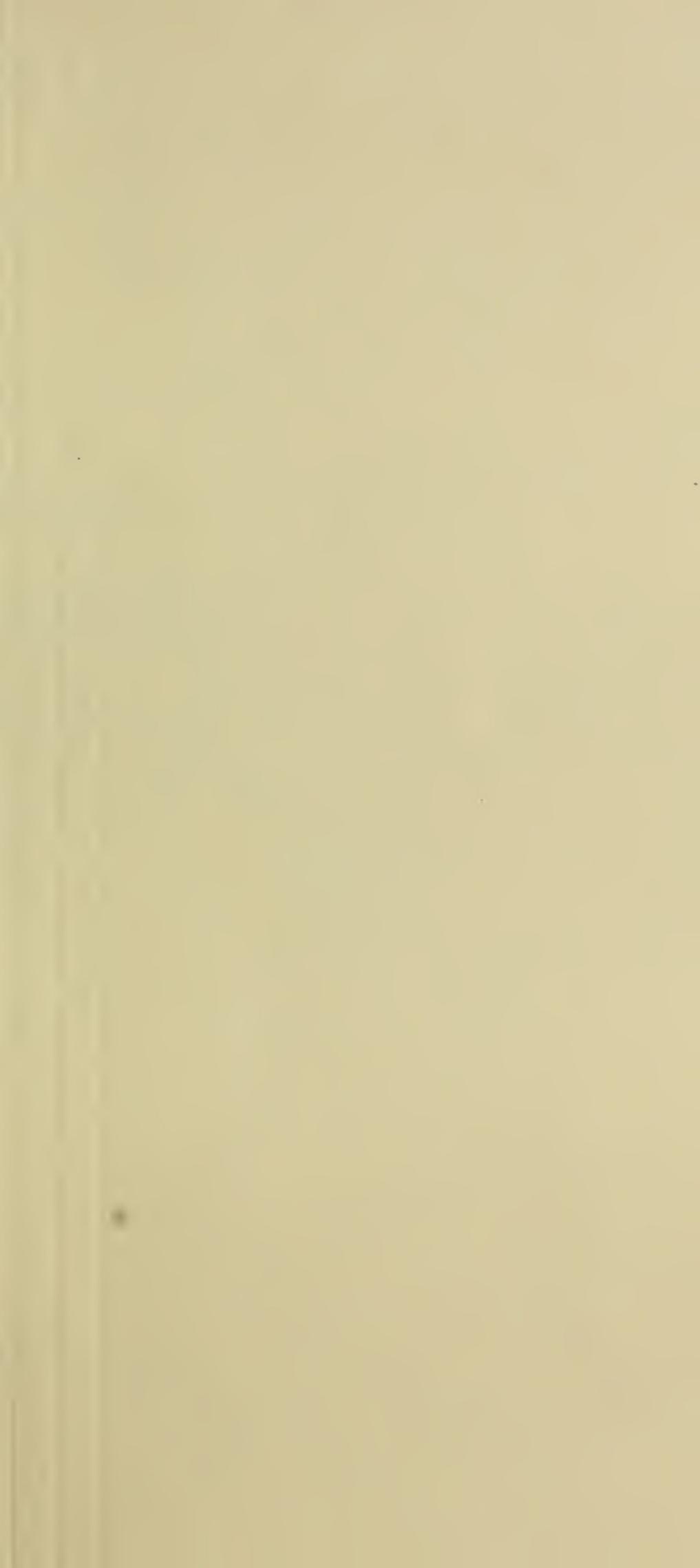
- Must have an adequate and dependable income.
- Must be a U.S. citizen or be legally admitted to the United States for permanent residence.
- Must have an adjusted annual family income that does not exceed 115 percent of the median income for the area. Each State or county USDA/FmHA office can specifically calculate that limit. (Adjusted annual income is determined by subtracting \$480 for each minor child.)
- Must have a credit history that indicates a reasonable willingness to meet obligations as they become due.
- Must have repayment ability based on the following ratios:

Principal, Interest, Taxes, and Insurance (PITI) divided by gross monthly income, must be equal to or less than 29 percent.

Monthly obligation to income (MOTI) is less than or equal to 41 percent. MOTI is determined by dividing all monthly debts by gross income. Income includes the total gross income of the applicant, co-applicant, and any other adult in the household who will be a party to the note.

Homes That Qualify:

- Guaranteed loans can be made on either new or existing homes.
- Existing homes must be structurally sound, adequate, and in good repair.
- FmHA thermal standards must be met.
- Plumbing, heating, water, waste disposal, and electricity must be certified as adequate and the dwelling must be free from termites.
- No restrictions exist on the size or design of the dwelling financed.
- Must be a residence, not a farm.
- Typical amenities, except in-ground swimming pools, are allowed.
- Homes must be located in rural areas. Rural areas include open country and places with a population of 10,000 or less and, under certain conditions, towns and cities with between 10,000 and 25,000 residents. State and county USDA/FmHA offices can detail eligible areas.



Highlights of the USDA Guaranteed Rural Housing Loan Program

- Borrowers make application with participating lenders.
- Borrowers must personally occupy the dwelling following the purchase.
- Mortgages are 30-year fixed rate at market interest rates.
- Loans may be for up to 100 percent of market value or for acquisition cost, whichever is less.
- Maximum loan amount is \$67,500 except in HUD-designated high-cost areas.
- Loans may include closing costs, guarantee fee, legal fees, title services, cost of establishing an escrow account, and other prepaid items provided the appraised value is higher than sales price. Buyers are responsible for any other fees or related costs (discount points) required by the lender or not covered by the appraised value.
- A one-time guarantee fee of 0.9 percent of the loan amount is charged to the lender, but may be passed on to the applicant.
- There is no limit on the seller's contribution to closing costs.
- Guaranteed loans are subject to the provisions of the Civil Rights statutes, including the Equal Opportunity Act.

Interested borrowers should call or visit their local lender or the nearest USDA/FmHA county office for information about the program and exact income limits for particular areas. Local USDA/FmHA county office staff will refer potential applicants to participating lenders.

USDA/FmHA offices are listed in the Government section of the telephone book under "Department of Agriculture, Farmers Home Administration."

 Program Aid 1501
March 1993

*USDA is an equal opportunity lender. Every person who applies for a guaranteed rural housing loan will be considered without regard to race, color, religion, sex, national origin, marital status, handicap, or age. Complaints of discrimination should be sent to:
Secretary of Agriculture,
Washington, DC 20250.*

